

Fairfax County Economic Index

Volume III, Number 7

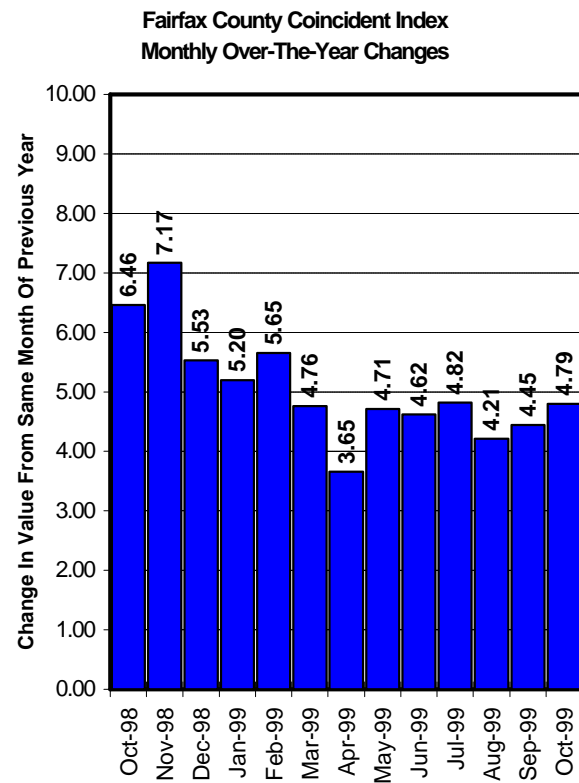
DECEMBER 1999

Economy Continues To Strengthen While Leading Indicators Point To Slower Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 122.64 in October for a gain of 1.31 percent. October's increase extends the Index's upward trend to a third month reversing a four-month decline. So far this year the County's economy has had a strong first quarter followed by four months of decelerating growth and, since July, it has experienced a substantial rebound. For the year, the Coincident Index has increased by 3.9 percent. In October, three of its four components were positive.

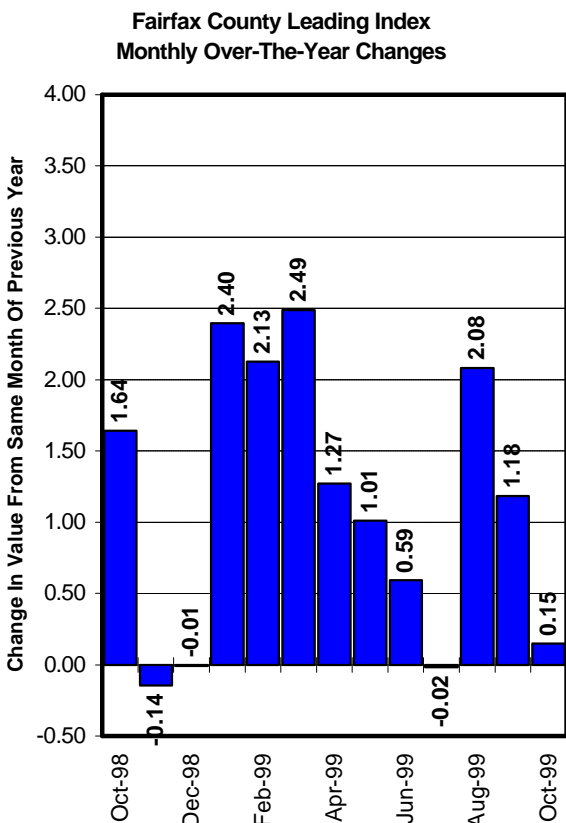
- Total employment increased for a fourth consecutive month and has been up in eight of the year's first ten months;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for a third month; and,
- Sales tax receipts, adjusted for inflation and seasonal variation, were up for a second month in a row; while,
- Consumer confidence slipped for a second time in three months.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, declined for a second month and now stands at 105.04, a decrease of 0.70 percent from its September level. Beginning in April, the Leading Index trended down with only two monthly gains during this seven-month period, and has



Source: Mason Enterprise Center, George Mason University

now dropped below the 12-month moving average trend line for a second consecutive month. However, for the year, the Leading Index is still slightly positive (0.23 percent) based on the strength of its January performance. In October, three of its five components contributed to its decline.



Source: Mason Enterprise Center, George Mason University

- New automobile registrations dropped sharply in October reversing a strong positive trend for the year;
- Residential building permits declined for a second month and for the fifth time in the last seven months; and,
- The total value of residential building permits fell for a second month and for the fourth month in the last six; while,
- Consumer expectations (consumer confidence six months hence) increased slightly; and,
- Initial claims for unemployment insurance decreased (improved) for the third time in four months.

The Fairfax County economy strengthened in October building on its gains in August and September. This three-month rebound more than offsets its four-month slowdown during the spring and nearly duplicated the strong performance registered during the first quarter. This reacceleration of the County's economy runs counter to earlier

expectations that it would gradually slow over the year's second half leading to more moderate growth in 2000. However, in spite of the economy's current strength, the Leading Index continues to point to slower future growth. Its downward trend since April suggests that the economy's growth rate should slow beginning in early 2000 and continue on a slower growth path at least through mid-year.

CURRENT CONDITIONS

The Coincident Index tells the story. Following a strong year-end performance last year that carried through the first quarter this year, the County's economy began to slow in April. Even though the Index declined on a month-to-month basis before rebounding in August, its monthly over-the-year increases have been relatively steady with gains averaging 4.6 percent over the past six months.

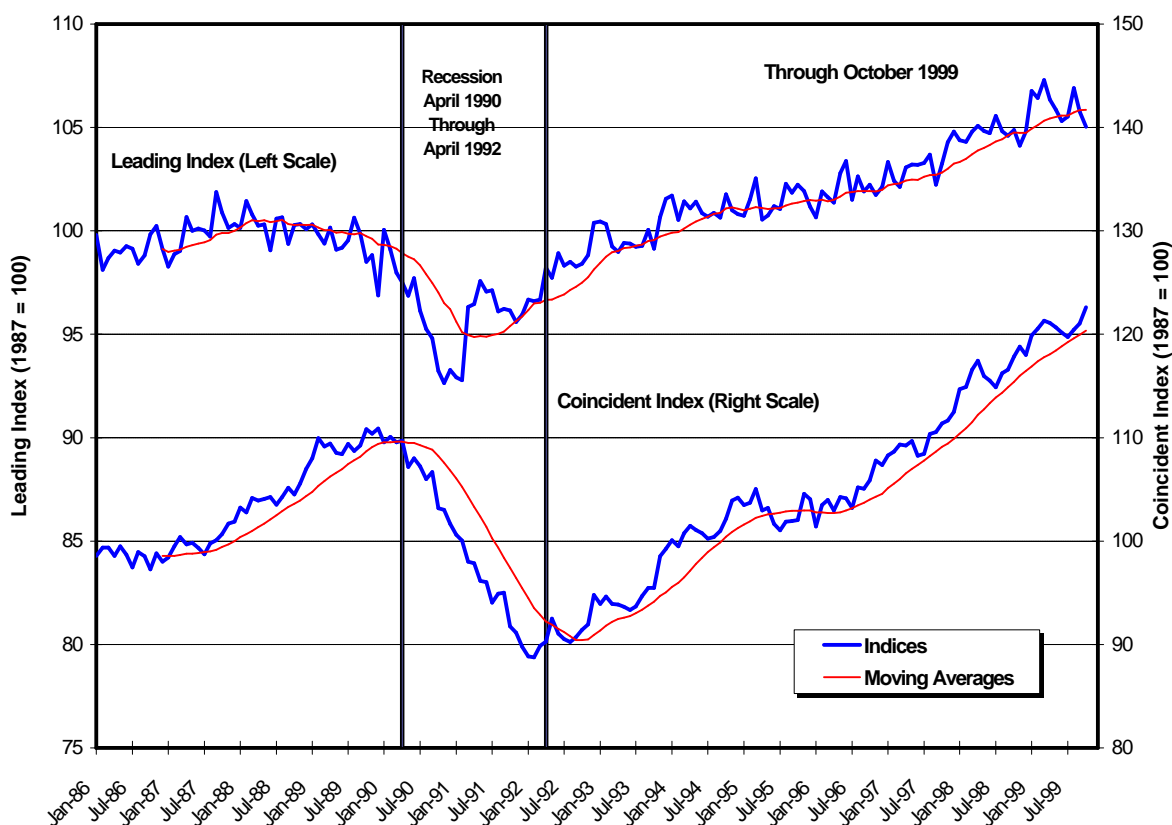
Driving this remarkable performance is the growth of jobs and income within the County. Also, the strong economic performances at the metropolitan and national levels have contributed to the County's continuing expansion. For the 12 months ending in October, Fairfax County's employment base added 23,257 net new jobs accounting for almost 34 percent of the metropolitan area's new job gain of 68,800.

This job growth in the County job base represents a 4.75 percent increase, a rate of growth that continues to substantially exceed the County's labor force growth of only 1.25 percent. This gap in the availability of workers and continuing job growth has lowered unemployment to 1.4 percent, down from 1.6 percent in October 1998. Initial unemployment claims also are trending down on both a month-to-month basis (down 7.7 percent from September) and on a monthly over-the-year basis (down 11 percent from October 1998).

Bolstering the County's continuing economic expansion is the increasing health of the region's economy. Job growth overall, that had been trending lower through mid-year, has increased its rate of growth in two of the last three months and area-wide unemployment is down to 2.5 percent.

Two important trends are contributing to this rebound in the area's economy. The District of Columbia economy is adding new jobs for the first time since 1990 with gains occurring in both the private and public sectors. Additionally, job growth has become more broadly distributed across the entire economy. Where the private sector had been accounting for almost all new job growth (97 percent) this decade, its share has dropped to

Business Cycle Indicators – Fairfax County, Virginia



Source: Mason Enterprise Center, George Mason University

85 percent with the public sector generating new jobs in significant numbers for the first time since before mid-1993. This more-balanced growth is helping to extend the expansion and also will help to cushion the suburban economies from the full impact of any future slowing in business and engineering and management services that have been largely responsible for sustaining the high growth rates coming out of the 1990-1991 recession.

NEAR-TERM OUTLOOK

The Leading Index is clearly pointing to slower future growth. It has trended lower several times this year, slowing substantially from January through July and then again from August to October. The numbers behind this trend reflect several important conditions that should translate into slower long-term growth. With the Federal Reserve Board raising interest rates a quarter-point three times since the end of June and home mortgage rates increasing a full point over the past year, new home sales have slowed dropping below

same-month levels in 1998 in each of the last three months. This pattern of slower new home sales also is reflected in decreases in the number and value of residential building permits; both are down substantially from October 1998. While new automobile sales have been strong over the year, gaining 18 percent, they are down almost 10 percent on a month-to-month (and seasonally adjusted) basis from September.

With consumer expectations below their summer peak and consumer debt rising, consumer spending is expected to slow following the end-of-the-year holiday retail surge. Slower consumer spending, combined with a tight labor market which could lower business revenues and profits, are expected to slow the economy going into 2000. At the national level, the most recent GDP forecast for 2000 is for growth to slow from this year's estimated rate of 4.0 percent to 3.1 percent. This slowing of the national economy is being driven by conditions similar to those now being seen within the Fairfax County economy and should result in more moderate growth next year.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Oct-99 Prelim.	Sep-99 Final	Oct-98 Final	Sep-99 to Oct-99	Oct-98 to Oct-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	122.64	121.05	117.84	1.31	4.07
Leading Index (1987 = 100)	105.04	105.78	104.89	-0.70	0.14
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	512,564	507,991	489,327	0.90	4.75
<i>Total Covered Employment (Unadjusted)</i>	<i>511,057</i>	<i>508,926</i>	<i>487,888</i>	<i>0.42</i>	<i>4.75</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	298	282	289	5.63	3.32
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>474</i>	<i>484</i>	<i>450</i>	<i>-2.00</i>	<i>5.35</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,909	8,621	7,785	3.35	14.44
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,502</i>	<i>10,948</i>	<i>8,900</i>	<i>-4.07</i>	<i>18.00</i>
South Atlantic Consumer Confidence	184	185	174	-0.70	5.63
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,308	6,966	5,357	-9.45	17.75
<i>Automobile Registrations (Unadjusted)</i>	<i>6,070</i>	<i>7,922</i>	<i>5,155</i>	<i>-23.38</i>	<i>17.75</i>
Initial Unemployment Claims (Seasonally Adjusted)	636	688	714	-7.54	-10.96
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>585</i>	<i>576</i>	<i>657</i>	<i>1.56</i>	<i>-10.96</i>
South Atlantic Consumer Expectations	114.1	113.4	102.2	0.62	11.64
Residential Building Permits (Number of Units, Seasonally Adjusted)	330	597	768	-44.60	-56.95
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>359</i>	<i>640</i>	<i>834</i>	<i>-43.91</i>	<i>-56.95</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	25,933	30,216	39,244	-14.18	-33.92
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>41,146</i>	<i>46,744</i>	<i>61,064</i>	<i>-11.98</i>	<i>-32.62</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	548,116	538,832	539,277	1.72	1.64
<i>Total Labor Force (Unadjusted)</i>	<i>562,929</i>	<i>545,166</i>	<i>553,851</i>	<i>3.26</i>	<i>1.64</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.23	1.47	1.33	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.59</i>	<i>1.83</i>	<i>1.69</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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